

Message Text

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PAGE 01 KINSHA 07041 291132Z

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 EB-03 SP-02 L-01

IO-03 INR-05 CIAE-00 OMB-01 SSO-00 INRE-00 /039 W

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O 291115Z JUL 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 3843

C O N F I D E N T I A L KINSHASA 7041

LIMDIS

FOR AF/C AMBASSADOR VANCE

E.O. 11652: GDS

TAGS: AFIN, ECON, CG

SUBJECT: ZAIRE'S FINANCIAL PROBLEMS

REF: KINSHASA 6905

1. DURING MEETING WITH BISENGIMANA JULY 28 I TOLD HIM ABOUT THE FNCB-LED CONSORTIUM OF EUROPEAN BANKS (LEYLAND BUS LOAN) WHICH HAD DECIDED TO DECLARE DEFAULT LAST FRIDAY AND OF YOUR INTERVENTION WHICH SAVED THE DAY. I WENT ON TO POINT OUT THAT FAILURE TO MAKE AUGUST PAYMENTS ON LOANS DIRECTLY RELATED TO INGA-SHABA (APPROX \$4.2 MILLION) AND OTHER SYNDICATIONS RELATED THERETO THROUGH CROSS-DEFAULT CLAIMS (MORE THAN \$25 MILLION) COULD LEAD TO A STOPPAGE OF INGA-SHABA DRAWDOWNS, THE STILL-BIRTH OF SMTF AND A DEMOLITION OF THE ENTIRE HOUSE OF LONG-RANGE CARDS.

2. I SAID THAT WE WOULD CONTINUE TO USE OUR INFLUENCE WITH THE BANKS--AS WE HAD BEEN DOING FOR WELL OVER SIX MONTHS--TO ENCOURAGE PATIENCE ON THEIR PART, BUT THAT THE BANKS AND ZAIRE WERE BETWEEN A ROCK AND A HARD PLACE. IT WOULD BE A SHAME, I SAID, IF AFTER ALL OUR EFFORTS--AND WITH THE IMF KEY ONLY INCHES FROM OUR HAND--THE BANKS

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PAGE 02 KINSHA 07041 291132Z

STAMPEDED BEFORE THE ELEMENT OF AN OVERALL SOLUTION

COULD BE BROUGHT TO BEAR. BISENGIMANA RESPONDED TO MY POINT AND I PRESSED HOME THE PUNCH LINE BY ASKING IF HE HAD SENT THE INVITATION TO THE IMF TO COME TO ZAIRE.

3. HE REPLIED THAT HE WAS AWAITING YOUR INSTRUCTIONS AS TO JUST HOW THE INVITATION WAS TO BE FRAMED. I SAID NO, OUR UNDERSTANDING WAS THAT THE GOZ WOULD ISSUE A GENERALLY WORDED INVITATION FORTHWITH PER REFTEL AND THAT YOU WOULD CONCURRENTLY ARRANGE WITH THE FUND TO SEND A DELEGATION OF HIGH LEVEL OFFICIALS. BISENGIMANA SAID HE HAD MISUNDERSTOOD AND MADE HIMSELF A NOTE, ADDING THAT HE WOULD CONTACT PRESIDENT MOBUTU AND SEE ME AGAIN ON THIS POINT NEXT THURSDAY.

4. WE CAN WAIT UNTIL THURSDAY, BUT WHAT I SAID TO BISENGIMANA ABOUT THE IMPENDING STAMPEDE BY THE BANKS IS NO HYPERBOLE. YOU MAY WISH TO TALK TO THE FUND, GET FROM THEM THE NAMES OF THEIR DELEGATION AND ITS AGREEMENT TO COME QUICKLY AND SEND ME THAT INFORMATION ASAP. I WOULD THEN FEED IT BACK TO BISENGIMANA AND PRESS AGAIN FOR A GOZ INVITATION. AND EVEN IF THE GOZ INVITATION HAS TO AWAIT PRESIDENT MOBUTU'S RETURN FROM KAMPALA (WHICH I SUSPECT IS THURSDAY)-- WE WOULD HAVE ALL THE FACTS IN HAND AND PERHAPS WOULD BE ABLE TO MOVE MORE EXPEDITIOUSLY AT THAT TIME.
WALKER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, ECONOMIC CONDITIONS, ECONOMIC ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JUL 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KINSHA07041
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750261-0119
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750713/aaaaalou.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 KINSHASA 6905
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 29 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 AUG 2003 by ShawDG>; APPROVED <17 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ZAIRE'S FINANCIAL PROBLEMS
TAGS: AFIN, ECON, CG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006